

Kalamazoo County STATE BANK

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FDIC

San Francisco Regional Office
Director John F. Carter
25 Jessie Street at Ecker Square
Suite 2300
San Francisco, Ca 94105

9/12/05

RE: Wal-Marts ILC application

Dear Mr. Carter:

I am writing to you today in total opposition to Wal-Marts application for an ILC charter for several reasons:

1. Their public record of keeping their promises speaks for itself. (over one million employment related law suits).
2. Their total defamation of small communities when they open. Many Michigan communities were vibrant until Wal-Mart opened. Now these same cities are comprised of a number of small art dealers and antique shops. The hardware, clothing stores, and other small business all were closed.
3. Their record on the environment. Numerous municipalities including the City of Portage Michigan has notified Wal-Mart of violations for the run-off into small streams running through the back of their property

So what does all of this have to do with Wal-Mart and banking? Everything. Wal-Mart has a record of eliminating their competition. Their CEO has the pictures of every major super-store CEO behind his desk with a sign that reads "This is the competition, eliminate them". Given the opportunity, that philosophy will no doubt be applied to banking as well. They grossed more income than the three largest retailers combined last year. How much is enough? Where do they draw the line? When all of the other super-stores are eliminated?

Please consider the following scenario carefully:

Wal-Mart currently purchases 70% of their goods sold from China. China just tried to buy an oil company in California. Has anyone considered what a strong-hold China currently has on Wal-Mart? What if China suddenly decides that they want to buy Wal-Mart? And if Wal-Mart refuses and decides that they aren't for sale, what if China decides to increase prices say 10% or 20%? Can anyone see the national security implications?

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If Wal-Mart were a country, they would be the eighth largest in terms of commerce with China! Ahead of Russia, Canada, and Australia! And Wal-Mart's stated goal is to increase sales which currently account for 8% of GNP (not including automobile sales and restaurant sales in out country), to 32%.

So again it begs the question, what if China then owned Wal-Mart?

Now add to that, that Wal-Mart could also own an ILC, and if it were to change its business plan after one year, it could conceivably expand its branch system into 20 other states. Let's assume also that they require their vendors to open accounts with Wal-Mart ILC in Utah in order to ACH their payments? Oh, and let's say that they then open up their Internet banking system to the world with discount banking. And many of us in banking believe that their ultimate goal is to control the payment system. They have end points that are much more assessable than the Fed, and they have the capital to implement it. See any issues with that? Now, what if China buys them?

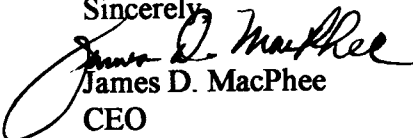
How on earth do you control the monster that they have become? Congress has already spoken to the issue of mixing banking and commerce through the Gramm-Leach-Bliley Act for good reason. Let's not repeat history.

And lastly, when World War II was thrust upon this country, we were able to respond because we had the industrial mechanism in place to gear up production to counter the Japanese and German assault on our country. We have rushed to outsource our productivity in this country to other nations, some of whom are not even friendly to us. Why would our government want to see this trend continue? Does anyone have the foresight to see that we are becoming a nation dependent upon other countries for all of our production? And now perhaps our banking system.

I have been in banking for 33 years as a community banker, and I can tell you that the community banks of this nation have been, and continue to be the catalyst for small businesses. The systemic risk posed by a Wal-Mart bank (or a China owned Wal-Mart Bank) would be enormous, and their control over the money supply would be enormous. Their interest has been on record (Business Week Magazine Oct. 2003 issue). How far will they go to wipe out banking like they plan to do with their current competitors?

I implore you to consider these issues, and to stop Wal-Mart now. Thank you for considering my thoughts.

Sincerely,


James D. MacPhee
CEO